

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

August 7-8, 2006
First Floor Hearing Room
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, KS 66604

Members Present

Representative Carl Holmes, Chairperson
Earnie Lehman, Vice-Chairperson
Tim McKee, Secretary
Senator Jay Emler
Les Evans
Senator Janis Lee
Representative Annie Kuether

Staff Present

Mary Galligan, Kansas Legislative Research Department
Daniel Nibarger, Kansas Legislative Research Department

Monday, August 7

The Chairperson called the meeting to order at 9:05 a.m. All members were present.

Discussion of Agenda

The Chairperson reviewed the agenda that had been distributed. No changes to the agenda were recommended.

Approval of Minutes

Mr. McKee moved that the June 30 minutes be approved. Mr. Evans seconded the motion. The motion carried.

Presentations Regarding Transmission Lines in Kansas

The Chairperson recognized Norman Williams, Vice President, Transmission Services, Sunflower Electric Power Corporation. Mr. Williams presented information regarding Sunflower's activities related to transmission projects (Attachments 1 and 2). Mr. Williams commented that the Southwest Power Pool (SPP) process is a moving target, noting that SPP process is new, so it is hard to know what issue will arise. Mr. Williams noted that Sunflower Electric Power Corporation must maintain its service to existing customers during any development period because load is growing as irrigation shifts from gas to electric. He stated that Sunflower is working on a regional solution to a voltage problem that has emerged in western Kansas. The transmission constraints in central Kansas continue to be an issue for Sunflower and the company actively supports transmission development that will support new wind development. Mr. Williams also stated any improved transmission in western Kansas will be a step toward better service in the Kansas City area. Mr. Williams also mentioned that Sunflower views the Kansas Electric Transmission Authority (KETA) as an important resource, as utilities find themselves in need of capital with which to build transmission facilities.

The Chairperson recognized Kelly Harrison, Vice President, Transmission Operations and Environmental Services, Westar, and Tom Stuchlik, Executive Director, Transmission Operations, Westar. Mr. Stuchlik described the Wichita-Reno 345-kV project and the Hutchinson-Salina 345-kV alternative to Lincoln County (Attachment 3). He said the Wichita-Hutchinson-Salina project is anticipated to cost \$100 million. It might cost more due to increasing materials costs. The Rosehill-Sooner 345-kV line currently is not being studied by SPP. Both projects would be for alleviation of flow-gate issues. Rosehill-Sooner is also a \$100 million project and would not be solely a Westar project. Mr. Stuchlik commented that Westar is ready to build any transmission line needed to serve its customers. He also commented that Westar does not need financing from KETA.

Mr. Stuchlik said that Westar plans to follow SPP processes to the extent that it can, but that the company will build transmission lines as needed, regardless of the SPP process. He said that the Wichita-Reno project is a priority, and that the Hutchinson-Salina project will be able to use the existing right of way, so it will not have to go through the siting process. He also said American Electric Power (AEP) has a plan for a 765-kV line that includes Rosehill-Sooner.

Westar is paying for a consultant to complete the study that SPP started for the Wichita-Reno transmission line. Mr. Stuchlik anticipated the study would be completed by the end of 2006.

The Chairperson recognized Bary Warren, Director of Transmission Policy and Compliance, Empire District Electric Company. His presentation focused on the plans of Empire District Electric Company and he clarified that the majority of the load and its capacity are in Missouri, with some Kansas customers. He explained that Empire is in the process of partnering in the construction of two coal-fired plants and will get an additional 12 percent capacity from the latan Unit 2. Empire is also partners in a project with Entergy, in a power plant just south of Memphis, Tennessee. Empire has a peaking plant near Riverton, Kansas, and a wind project in Kansas. Mr. Warren mentioned that Empire is looking at adding wind projects in the future totaling 10 percent of its capacity, or 50 to 100 MW of wind-generated electricity, as a compliment to other fuels. Mr. Warren stated that Empire is a proponent of transmission construction, and would like to import power when it can.

Empire is very active in the SPP and believes that the beneficiaries of the project should pay for the project. Empire would like to see additional transmission built where it makes sense.

The Chairperson recognized Bob Bowser, Vice-President, Regulatory and Technical Services, Kansas Electric Power Cooperative, Inc. (KEPCo) ([Attachment 4](#)). Mr. Bowser mentioned that KEPCo is a transmission-dependent utility and is concerned about the lack of investment in and capacity for transmission in the area. KEPCo is an Rural Utilities Service (RUS) borrower and would consider using RUS funding in the future.

The Chairperson recessed the meeting for lunch.

Afternoon Session

The Chairperson called the meeting back to order at 1:30 p.m.

The Chairperson recognized Les Dillahunty, Vice-President, Regulatory Policy, Southwest Power Pool ([Attachment 5](#)). Mr. Dillahunty commented that working out the details in the SPP process does not delay construction of the projects. SPP is looking at both economic and reliability projects. SPP currently is working on a new draft of the strategic plan and it is scheduled to be up for the Board's approval at the October meeting. SPP is planning to implement a new market on November 1 to better match load with generation. See slide 13, "Transmission Expansion/Economic Upgrades." Mr. Dillahunty encouraged KETA to become involved with SPP in regard to the strategic plan and its implementation.

Mr. Dillahunty referred to the aggregate study results. He noted that three wind projects are included—a component of which is reliability related, so it is part of base-plan funding. He informed the Board that 1,203 MW of wind generation is currently in operation in SPP. Another 1,124 MW of interconnection agreements have been signed in Kansas. Mr. Dillahunty offered to provide to the Board the MW totals for wind projects ([Attachment 6](#)).

The Chairperson recognized Darrell Dorsey, Manager, Electric Operations and Supply, Kansas City, Kansas Board of Public Utilities (BPU). He said BPU is a transmission dependent utility and is a net importer of power. The utility is a member of SPP. In the past few years, it has had no problem buying power when it could not generate enough itself. There have been interruptions on their hydro-power contract because of transmission problems in recent years. It can no longer rely on the Missouri River to generate power for it because of the drought and can no longer buy the power to replace it. It has had to build a cooling tower for approximately \$20 million. The concern is that the grid does not back up the community like it had done previously. It has developed a team to look at what needs to be done to the transmission system to improve the situation. It may be looking at joint ownership with other Kansas municipal utilities. It does not want to pay for services or benefits that are not real and measurable. Consultants have been hired to help the utility look at the transmission issues it faces.

The Chairperson recognized Jim Widener, General Manager, Kansas Municipal Energy Agency (KMEA) ([Attachment 7](#)). The primary issue for KMEA is the time it takes for SPP to complete a study.

The Chairperson recognized Bill Callaway, Director, Clay Center Utilities, and President, Kansas Power Pool (KPP) ([Attachment 8](#)). Mr. Callaway would like to see joint ownership with KETA

on transmission lines. The particular need for members of the KPP is for improvements on lines that are approximately 69 kV and that connect transmission lines to distribution lines.

In response to a question, Mr. Callaway said that a significant number of lines need to be improved. He said that KPP and KMEA could work together to develop a list of necessary improvements to 69 kV lines that connect transmission to distribution.

The Chairperson recognized Richard Krauze—3Tier Wind Energy Forecasting ([Attachment 9](#)). The company develops forecasts for the Elk River project and all of Scottish Power's U.S. Energy company's other wind projects. Within SPP, the company also will do the AEP projects.

Chairperson Holmes presented slides from the Wyoming Infrastructure Authority (WIA) that described that Authority's recent activities ([Attachment 10](#)). He noted that the Executive Director of the WIA was not available to make the presentation at this meeting, but is interested in setting up a conference call with the Board in the future. The Wyoming authorizing legislation was a model for the KETA Act. WIA is identifying transmission corridors within the state. Most of its projects go through Bureau of Land Management property, which makes the environmental approval process more complex. Wyoming does not operate in the territory of a regional transmission organization. The WIA legislation was amended in 2006 to allow the Authority to get into generation from clean coal technologies.

Tuesday, August 8

The Chairperson called the meeting to order at 9:05 a.m.

The Chairperson recognized Joseph Rossignoli, Principal Analyst, Transmission, Regulation and Commercial Group, National Grid ([Attachment 11](#)). Mr. Rossignoli described the company and the work it has done in Wyoming, among other projects. Mr. Rossignoli emphasized the importance of handling every aspect of a transmission project properly in order to avoid costly objections from the public.

The Chairperson recognized Bob Mitchell and Paul McCoy, Trans-Elect. Mr. Mitchell described the company and showed a list of its team working in Kansas ([Attachment 12](#)). He characterized the company as small, nimble, and different from the other three that KETA will hear from.

Mr. McCoy explained many of the projects. He mentioned that transmission projects fail in the early stages because of mishandling "stakeholder" issues like public relations. Mr. McCoy said that he agreed with Mr. Rossignoli's assessment that transmission projects do not fail for technical or construction issues, but may fail because relationships with communities are not properly developed.

Mr. Mitchell said there really has not been much transmission built since the 1980s in the United States. There is a role for independent transmission companies even though municipalities and investor-owned utilities will build transmission lines.

The Chairperson recognized Joseph Welch, President and CEO, ITC Transmission, and Carl Huslig, President, ITC Great Plains. Their presentation covered the project that they are announcing first, the Wichita-Reno line ([Attachment 13](#)). The company decided to move forward with the project based on its conversations with the Kansas Corporation Commission (KCC) and the Southwest

Power Pool. The Board also received presentations by ITC Partners: Asplundh ([Attachment 14](#)); Black and Veatch ([Attachment 15](#)), and Lehman Brothers slides ([Attachment 16](#)).

The Chairperson recognized Stephen Conant, Vice-President, Strategic Development, Anbaric, LLC, Wakefield, Massachusetts, who made his presentation via phone call ([Attachment 17](#)). Mr. Conant explained Anbaric's projects in the eastern part of the United States.

In response to a request from the Board, the ITC press release issued August 8 was distributed ([Attachment 18](#)).

The Chairperson recessed the meeting for lunch.

Afternoon Session

The Chairperson called the meeting back to order at 1:45 p.m.

The Chairperson recognized Larry Holloway, KCC staff, to respond to questions about the procedure for independent transmission companies to build lines in Kansas. Mr. Holloway informed the Board that the KCC would have a role in regard to siting of a new transmission line.

Mr. Holloway said that in regard to the siting of multi-state lines, one option might be different lines owned by different entities in each state. There are provisions in the federal Energy Policy Act for a regional siting board. In national interest transmission corridors, FERC would have backstop authority. That is probably not something that comes into play in the situation described to the Board. Mr. Holloway added that any entity that would operate and maintain KETA transmission lines would have to be a certified public utility in Kansas.

In response to a question from the Board to Westar regarding the ITC announcement, Mr. Harrison replied that Westar does not have a problem with financing. One of the reasons that Westar has not built the Wichita-Reno line is that it would not be base-plan funded under SPP procedures. Thus, the funding would fall on them to collect. Mr. Harrison believes that the Wichita-Reno line will be included in the new SPP plan because the studies have shown that it is needed. He also believes that the Rosehill-Sooner line will be built into the base plan.

In response to a question from the Board, Mr. Huslig said that ITC's next step would be an electric line application. SPP has approved the project, so ITC will become a utility once the line is built. ITC must have an asset in the state before it can become a utility in Kansas.

In response to a question regarding when a KCC docket might be opened on the ITC proposed line, Mr. Holloway said a siting application opens a docket. An electric line application simply states that ITC intends to build a line from here to there and that it has coordinated with other utilities. He noted that a docket could be opened in other ways, also.

Board Discussion of Next Steps

The Board conducted a discussion of the following questions:

- When and how might KETA directly participate in SPP activities/decisions?

- The ties with SPP are quite informal at this point. Does KETA want to request more formal interaction with SPP?
- The question is whether or not KETA has prioritized the projects. What are the three top transmission projects that Kansas needs? With that, KETA could start pushing for one or more of those projects. Some communication with SPP would facilitate that identification.
- Could/should KETA play an advocacy role with SPP in regard to funding for economic projects?
- Would there be a benefit for KETA to explore a connection between Kansas and Colorado?
- Do we want to establish criteria or a process that would guide our actions along the path from consultation, through persuasion, to construction of new facilities?

Mr. Lehman and Mr. McKee offered to begin work on a draft work plan for circulation among the members.

The Chairperson adjourned the meeting at 4:15 p.m.

Respectfully Submitted by Tim McKee, Secretary

Approved by Board on:

November 3, 2006